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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-05 INR-10 L-03 ACDA-12
NSAE-00 PA-01 SS-15 SP-02 ICA-11 TRSE-00 OMB-01
DODE-00 ABF-01 NSC-05 /079 W
----------103059 050628Z /10
R 041218Z APR 78
FM AMEMBASSY REYKJAVIK
TO SECSTATE WASHDC 8281
INFO USMISSION USNATO
USCINCEUR VAIHINGEN GER
COMICEDEFOR KEFLAVIK IC

C O N F I D E N T I A L REYKJAVIK 0450

E.O. 11652: GDS
TAGS: MPOL, NATO, IC
SUBJECT: ALLIED DEFENSE CONTRIBUTIONS

REF: STATE 77837 (DTG 250235Z MARCH 78)

1. ICELAND'S UNIQUE STATUS WITHIN NATO IS SUCH THAT EMBASSY BELIEVES IT WOULD BE INAPPROPRIATE TO SUGGEST THAT GOI PROVIDE SUPPORT OR SUBSIDIZE COST OF US PRESENCE (SEE COMMENT). FOLLOWING CONDITIONS OBTAIN WITH RESPECT TO ITEMS KEYED TO REFTEL:

1. USG PAYS IN FULL FOR LABOR AND SERVICES. US MILITARY AIRCRAFT EXEMPT FROM LANDING FEES PAID BY OTHER NATO MEMBERS' CRAFT BUT NORMAL FEES ARE PAID BY USG VESSELS USING ICELANDIC HARBORS.

2. USG RECEIVES FREE OF CHARGE FROM GOI REAL ESTATE USED BY ICELAND DEFENSE FORCE (IDF).

3. ALL SUPPLIES AND EQUIPMENT PROCURED HROUGH THE LOCAL ECONOMY ARE PURCHASED AT GOING RATES.

4. A SOLE-SOURCE CONTRACTOR ARRANGEMENT EXISTS WITH RESPECT TO CONSTRUCTION BY IDF. PRICES ARE HIGH, REFLECTING IN PART HIGH ICELANDIC INFLATION RATE (CURRENTLY

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40 PERCENT) AND TIGHT LABOR MARKET RESULTING FROM SMALL POPULATION AND NATIONAL FULL EMPLOYMENT POLICY.

5. USG IS EXEMPT FROM CUSTOMS AND EXCISE DUTIES, GASOLINE TAXES, AND REGULAR ROAD TAXES (ALTHOUGH A TOKEN QTE ROAD USE UNQTE PAYMENT HAS BEEN MADE ANNUALLY).

2. COMMENT: ICELAND HAS NO MILITARY FORCE OF ITS OWN, AND

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REAL ESTATE MADE AVAILABLE TO US-MANNED KEFLAVIK NATO BASE
(23,344 ACRES) IS REGARDED AS PRIMARY GOI CONTRIBUTION
TO NATO COMMON DEFENSE EFFORT. GIVEN ICELANDIC SENSITIVITIES
OVER SIZE OF BASE IN PROPORTION TO COUNTRY'S POPULATION AND TO
WHAT WOULD APPEAR TO BE PERMANENT FOREIGN MILITARY PRESENCE,
WE BELIEVE IT WOULD BE COUNTERPRODUCTIVE TO SEEK ANY
ADDITIONAL GOI ROLE IN SUPPORTING OR SUBSIDIZING COST OF US
PRESENCE HERE. AS DEPARTMENT AWARE (77 REYKJAVIK 1791 AND
PREVIOUS), PRESENCE OF BASE IS DIVISIVE FACTOR IN ICELANDIC
POLITICS AND SOME ELEMENTS OF POPULATION, WHILE NOT CALLING
FOR ITS REMOVAL, HAVE ADVOCATED IMPOSITION OF "RENT" OR AT
VERY LEAST END TO BENEFITS AND PRIVILEGES NOW ENJOYED BY US
FORCES UNDER EXISTING AGREEMENTS.
BLAKE

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